



AR39

Established 1853



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Front Cover

View of Grafton House at Sunlight Park

Back Cover

View from Grafton House

HEAD OFFICE

9 Sunlight Park Road, Toronto M4M 3G1 (416) 461-9411

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 11:30 a.m., May 11, 1979 in Toronto in the Ontario Room, Royal York Hotel, 100 Front Street West.

	Year Ended January 31,			% Change	
	1979	1978	1977	1979	1979
	Omitting 000's			over	over
	1978	1977		1978	1977
TOTAL SALES	\$194,255	\$169,683	\$154,988	+ 14.5	+ 25.3
Comprised of:					
Retail Division					
Stores	43,183	36,456	32,177	+ 18.5	+ 34.2
Licensed Woolco Departments	95,687	86,460	79,762	+ 10.7	+ 20.0
Total Apparel	138,870	122,916	111,939	+ 13.0	+ 24.1
Footwear	41,231	34,165	31,553	+ 20.7	+ 30.7
	180,101	157,081	143,492	+ 14.7	+ 25.5
Homefurnishings Division	14,154	12,602	11,496	+ 12.3	+ 23.1
Income from operations before depreciation, interest and amortization	29,133	22,965	19,935	+ 26.9	+ 46.1
Income from investments and interest	1,985	916	580	+116.7	+242.2
Depreciation and interest	3,812	3,491	3,317	+ 9.2	+ 14.9
Income before income taxes	27,164	20,227	17,056	+ 34.3	+ 59.3
INCOME BEFORE EXTRAORDINARY ITEM	14,993	11,012	8,869	+ 36.2	+ 69.0
NET INCOME FOR YEAR	14,993	11,258	8,869	+ 33.2	+ 69.0
*Earnings per common share before extraordinary item					
Basic	4.94	3.83	3.12	+ 29.0	+ 58.3
Fully Diluted	4.82	3.58	2.93	+ 34.6	+ 64.5
*Dividends paid per common share (regular)	.76	.67	.473	+ 13.4	+ 60.7
Special dividend	.50				
Working capital	52,597	42,869	25,002	+ 22.7	+110.4
Shareholders' equity	59,757	43,643	33,891	+ 36.9	+ 76.3
Average number of shares outstanding	3,030,152	2,874,354	2,843,128		
Shareholders' equity per share	19.13	15.18	11.91	+ 26.0	+ 60.6
Percentage of net income to sales	7.72	6.63	5.72		
Effective tax rate percentage	44.5	45.1	47.4		
Current ratio	3.0:1	3.3:1	2.5:1		
Earnings as a percentage of shareholders' equity	25.1	25.8	26.2		
Dividends as a percentage of net income (regular)	15.2	17.1	15.2		
Special dividend as a percentage of net income	10.4				

*Prices, Profits and Dividends were restrained from October 14, 1975 by the Anti-Inflation Act and the restraints have now expired.

Business of the Company

The Company is a specialty retailer of apparel and footwear. Men's and boys' wear is sold through 100 leased departments in all the Woolco Stores in Canada. Men's wear is sold through 91 Jack Fraser Stores in Canada. Junior ladies' sportswear is sold through 70 Loft Departments. Footwear is sold in 183 shoe stores under the names Maher, Reid, Copp, Bonita, Barclay-Lanes and others. In addition, the Company owns a homefurnishings subsidiary which manufactures and wholesales products for bedroom and bathroom decoration.

Senior Personnel, Annual Meeting Luncheon. Left to right: Joan Myers, Betty Dymock, Elsie Engelbert, Elinor Swain, Joan Walker (guest), Beth Glenday, Jean Gardhouse, Irene Barclay, Gertrude Phillips.



Conflict of Interest

The Company has presently instituted a formal Conflict of Interest Policy covering all areas of concern in respect to the conduct of directors, officers and senior employees.

We are confident that all senior management of our Company have and will continue to conduct themselves in an ethical manner, but we also feel that the introduction of a formal code of ethical behaviour will serve the Company at this time.

FACTS RELATING TO UNDISCLOSED OR UNRECORDED LIABILITIES

Store Opening Expenses

All expenses relating to store openings are expensed in the year in which the store is opened.

Pension

The Company has no liability in respect to past or current service benefits.

Contingent Liabilities

With respect to the investment in shares of Forsyth Trading Company Limited, Grafton Group Limited has guaranteed 50% of certain notes payable by Forsyth. Grafton Group Limited's contingent liability at January 1, 1979 amounted to \$277,000 (1978 \$416,000) and totally expires in August, 1980 when the above notes mature.

There were no advances or loans to officers or directors.

Anti-Inflation Legislation

The Company and its subsidiaries were subject to the Anti-Inflation Act which provided for the restraint of profit margins, prices, dividends and compensation. In management's opinion, the Company and its subsidiaries have complied with the provisions of this Act as well as the spirit for the year ended January 31, 1979.

Capitalization of Leases

The capitalized asset value of all leases using actual commencement dates and terms is \$43,027,000 at the end of the year. This calculation has been made using a 10% interest factor. If the leases had been capitalized, this method of accounting would have the effect of recording depreciation and interest in lieu of minimum rental payments and would reduce the net income by approximately \$470,000 or 16¢ per share for the year.

Current Value Accounting

Based on current replacement costs and using our present depreciation rates, the estimated net book value of our leasehold improvements and fixtures is approximately \$1,300,000 in excess of the net book value recorded in the accounts. The extra charge to income, after tax, would be approximately \$56,000 or 2¢ per share. The value of the lands and buildings on a replacement cost basis owned by Grafton Realty Company, Limited and Maher Inc. has not been taken into account in the calculations and no adjustment has been made for other assets or liabilities due to their current nature.

Foreign Exchange Exposure

In both of the retail companies, about 20% of all merchandise purchased is denominated in U.S. dollars.

In our manufacturing company, about 50% of purchases of raw material is denominated in U.S. dollars. It has been our practice during past years to hedge these purchases by the purchase of future U.S. dollars. At the present time, the Company is not hedged.

CORPORATE GOALS IN RESPECT TO EARNINGS AND DIVIDENDS

Earnings

The Company aspires to achieve an average annual compound growth of fully diluted earnings per share of 15% or greater in an environment of average inflation of 8% or less and a viable economic climate.

Dividends

The Company, which now has access to the long term debt market, believes a payout ratio of between 25% and 30% of the previous year's earnings on all classes of shares (if there were more than one class of share) is appropriate for the near term.

OWNERSHIP OF THE COMPANY

Greywinds Investments Limited, of which G.R. Chater, W.P. Gilbride, W.A. Heaslip and G.A. Reynolds are shareholders, owns 37% of the common shares of Grafton Group Limited.

Other directors and senior officers own approximately 5% of the common shares.



George Richards King Size
Clothes Limited. G. Richards, President,
J. Mandel (standing).



Forsyth Trading Company Limited.
Left to right: E.M. Kestenbaum,
O. Rajsy, President, E. Sandorfy.



Banquet Night, National Sales Conference.
W.P. Gilbride at the podium
with T.E. Topping and A.L. Lucas.



Time-out at Conference.
Left to right: T.E. Topping,
R. Eagleson, W. Dodge.

In its 125th year your Company has achieved the 12th consecutive year of increased earnings which were \$14,993,000 as compared with \$11,012,000, an increase of 36.2%. This was equal to \$4.82 per share, as compared with \$3.58. This earnings performance was achieved on a consolidated sales increase of 14.5%, and sales rose to \$194,255,000 from \$169,683,000 the previous year. In addition to the regular quarterly dividends of 19¢, a special tax free capital surplus dividend of 50¢ per share was paid in the fourth quarter so that the total was \$1.26 per share for the year as compared with 67¢ the previous year, the second year in which dividends had been artificially restrained by the Anti-Inflation Board regulations.

The Company made capital expenditures of \$3,136,000, and purchased the remaining 50% interest in Barclay-Lane Shoes Ltd. The 7¼% convertible debentures were called for redemption on May 11, 1978, adding \$4,962,000 to our capital base and improving our long term debt to equity ratio.

The Company has conducted its affairs since the inception of the A.I.B. on October 14, 1975 in an austere manner which we deemed to be appropriate in a regulatory environment where gross margins were reduced by legislation and sales competition had become extreme. The company did not resort to executive title juggling to escape the principles of salary restraint established by the regulations. Now that this close brush with peacetime socialism has at least temporarily ended, we have since made a number of executive appointments to prepare ourselves for the years ahead.

T. Edward Topping, who, as President of Grafton-Fraser Inc. since 1971, gave the leadership for the rewarding growth in sales and earnings in that period and the development of key personnel, has been promoted to Executive Vice President, Grafton Group Limited. He will become more involved with the overall activities of the Group, including consolidation of leasing, group personnel, acquisitions, and industry, government and community relations.

Arnold Lucas, formerly Senior Vice President — Leased Departments, has been appointed President and Chief Operating Officer of Grafton-Fraser Inc. Mr. Lucas had served as Vice President — Company Stores from 1967 to 1971.

Mr. E. Frederick has been appointed Senior Vice President — Sales, Grafton-Fraser Inc. to better co-ordinate supplier relations in all divisions.

Mr. J. Coutts continues to be responsible as Senior Vice President of all Company Apparel Stores.

We have continued to explore opportunities in the United States and regret that our activities, not inconsiderable in time and expense, have yielded such barren results. We do intend to achieve a base in that country.

Our previously announced agreement in principle to purchase an American public company was not finalized as that company's earnings for the year were not what had previously been anticipated. It is unfortunate the S.E.C. regulations sometimes require premature announcements in the interest of full disclosure.

Our liquid position is undoubtedly strong with \$39,000,000 in cash and marketable securities at year end. We have been advised by a number of people in the investment community that we should use this described excess liquidity to purchase our own shares in the market in order to accomplish a higher leverage function on our earnings per share. We do not believe that a company seeking acquisitions should erode its equity base in this manner, and after several years of deliberation we are proposing to the shareholders a capital reorganization which will reduce the common share equity without reducing the total equity, thus preserving these underpinnings for any long term debt financing we may need in the future. This reorganization will also cause the divided common shares to trade in a lower dollar range with a wider distribution.

During the year we introduced a profit sharing stock purchase plan for employees in certain seniority classifications. It was received with great enthusiasm and we are studying the means of expanding it further. We believe the government should assist business in creating a favourable climate for employees to achieve significant share ownership in Canadian corporations through tax incentives as part of a program to reduce the confrontation between sectors of business, since adversary roles based on the divisions of labour are an impediment to the progress of our Canadian economy.

The current year will be an interesting one for all our company leaders as they evolve programs to succeed in a difficult environment of both high unemployment, continuing high inflation, lack of respect for both the discernment and motivation of many elected leaders, and intense political problems where the outcome is more likely to be based on romantic and emotional ideals whose charming nature will not provide logical solutions.

We remain confident that the excellent skills of our managers and the diversity of our activities will serve us well in a difficult period. We express our warmest appreciation to all our fellow members of the Grafton Group and our associates whose extraordinary efforts have made this, our 125th year, a most memorable one of achievement.

On behalf of the Board of Directors

G.R. Chater
President
March 28, 1979



T. Edward Topping
Executive Vice President,
Grafton Group Limited.

Born in 1923, after High School Mr. Topping served overseas as a pilot in the R.C.A.F. Returning from the war, he was employed by A. Bradshaw and Son, Limited. Three years after the purchase of Jack Fraser Stores by A. Bradshaw, Mr. Topping was appointed Vice President and General Manager of Jack Fraser Limited. In 1967, he became Vice President of Grafton-Fraser Inc. and was elected a Director of Grafton-Fraser Inc. and Grafton Group Limited. In 1971 he was appointed President of Grafton-Fraser Inc. a position which he relinquished upon being promoted to Executive Vice President of Grafton Group Limited in 1978.

Plans were formulated to appropriately commemorate the 125th Anniversary of Grafton Group Limited. As few Canadian companies have survived after being incorporated prior to Confederation, we felt the milestone significant and worthy of special recognition. Three separate events were organized to celebrate the Anniversary and to involve as many people as possible, in addition to special sales events.

First: Our Shareholders

On May 11th, 1978 following the Annual Meeting, some 450 shareholders, associates from the financial and retail world, business community and employees gathered in the Canadian Room of the Royal York Hotel. While Mr. Frank Bogart provided a pleasant musical background, the guests enjoyed an attractive buffet in a relaxed environment which permitted easy conversation.

At the Annual Shareholders' Meeting, two lovely ladies injected a touch of humour into what has in the past been considered a very formal, even dull, meeting, while testing the Chairman's capacity to control events.

Second: Our Managers

Beginning September 10, 1978 at Elgin House in Muskoka, the Supervisors, Buyers and Executives of Maher Inc. and Grafton-Fraser Inc. attended a joint National Sales Conference. The 4 day program included separate daily workshops for the various Retail Groups, afternoon recreation in beautiful surroundings, climaxed by an excellent dinner attended by Directors

and Associates. While the Seminars were educational in setting the objectives and rewards for the balance of the year, an additional benefit came from competitions in baseball, golf and tennis which created great interest and much closer personal association for those participating and for the spectators as well. Employees of both Companies found that they had similar problems and goals and established a new-found *esprit de corps*.

Third: Our Suppliers

As efficient, reliable Suppliers are the life-blood of any Retail Organization, a Suppliers' Appreciation Night was arranged for December 12, 1978. From the 250 major Suppliers represented at the dinner, 6 were selected by our Buying Group to receive special recognition and suitable awards for their performance during the past 5 years. Our Executives, led by G. Richard Chater, outlined our past, our present and our future aspirations and our dependency upon good Suppliers to achieve those goals. Each Company Executive or Representative present, received a memento of the 125th Anniversary of Grafton Group Limited as a permanent expression of our appreciation.

Business Associates, Good Friends and Employees enjoyed the 1978 celebrations and the history and tradition involved in them. For the years ahead we look forward to a continuing and strengthening association with those who have shared in our accomplishments and achievements thus far.



Annual Meeting Luncheon,
Royal York Hotel, Toronto.
Left to right: W.P. Gilbride, Chairman,
Grafton Group Limited and Guests.



Arnold L. Lucas

President, Grafton-Fraser Inc.

Born in 1935, Mr. Lucas joined the Company on a part-time basis in 1947 and commenced working full-time 5 years later. During the next 15 years, he held increasingly responsible positions — Clothing Salesman, Store Manager, Supervisor, Display Manager and Assistant General Manager, Stores. In 1971, he became Vice President, Leased Department Division with overall responsibility for the operation of the Men's and Boys' Wear Departments in Woolco Department Stores and became Senior Vice President, Leased Departments in 1975. In November 1978, Mr. Lucas was promoted to President, Grafton-Fraser Inc.

Grafton-Fraser sales increased 13% in 1978 and profits reached \$10,964,000, an increase of 29%. Operational comments pertinent to 1978 performance of the Licensed Departments and the Company Owned Stores are outlined on the following pages of this report.

Commencing in 1979 Grafton-Fraser Inc. will be structured in three divisions, LEASED DEPARTMENTS in WOOLCO DEPARTMENT STORES, JACK FRASER MENSWEAR STORES and SPECIALTY STORES. The new SPECIALTY STORES group will consist of all THE LOFT women's sportswear departments, the JACKS young men's shops and a chain of womenswear stores named SIDEFFECTS.

Each of the three Divisions will have separate Merchandising and Operations executives. All internal systems and data processing procedures will be

Business of the Company

Grafton-Fraser Inc. is one of the largest retailers of Men's and Boys' apparel in Canada and is rapidly expanding in the women's sportswear field.

As of the 1978 year end the Company operated 196 locations, consisting of 100 Licensed Departments in Woolco Department Stores and 96 Company Owned Stores.

The Company Owned Stores consist of 91 JACK FRASER menswear stores, 69 of which also contain THE LOFT womenswear department. The Company also operates 11 JACKS contemporary young men's shops and one new separate womenswear store.

Grafton-Fraser owns 50% of George Richards Kingsize Clothes Limited. George Richards is a chain of 13 stores specializing in apparel for big and tall men, with Head Office in Toronto.

realigned to accommodate this divisional structure and the inclusion of further apparel divisions through future development or acquisitions.

Jack Fraser Stores

Expansion of this Division will continue at a rapid pace, with 14 or more Jack Fraser stores planned to open in 1979. Significant improvements will continue to be made in areas such as data capture, merchandising, store supervision, quality control and store design.

The merchandising direction will continue to emphasize clothing, popular price furnishings and leisure apparel at both regular and promotional prices. The merchandise selection is highlighted by well-known brands, designer labels such as "PIERRE CARDIN" and "JIMMY CONNORS" active sportswear.

Specialty Stores

This Division will envelop all THE LOFT womenswear departments, JACKS shops and SIDEFFECTS womenswear stores. There are currently 70 LOFTS and 11 JACKS in operation and 1979 expansion plans include 10 LOFTS and up to 7 SIDEFFECTS.

The Company entered the women's sportswear field over 20 years ago with the establishment of "THE LOFT" departments in all Grafton stores and later most new JACK FRASER STORES and womenswear has since been a growing segment of the Company stores' sales and profits. This Division, particularly via the new and larger SIDEFFECTS stores will strengthen the Company's share of the expanding women's fashion market. The merchandise assortments will stress fashion, value and quality in the popular price area.



Left to right: A.L. Lucas, R.J. Lee, E.C. Frederick, J.R. Walker, J.B. Coutts.

George Richards Kingsize Clothes Limited

George Richards, with 13 stores in operation and two new locations scheduled to open in 1979, is Canada's largest chain of apparel stores for big and tall men. This expanding Company is 50% owned by Grafton-Fraser Inc.

Grafton-Fraser corporate executives assist the George Richards management in expansion, operational and systems planning. The Grafton-Fraser real estate department and data processing facilities have also been made available to George Richards.

The highly specialized merchandise expertise of George Richards, combined with Grafton-Fraser buying power, operational systems and techniques should ensure the steady development of this Company as a national chain.



Woolco, Guilford B.C. Left to right: E. Deholis, Administrator, Store Openings, J.R. Young, Senior Vice President and General Manager, R. Flood, Woolco, Guilford B.C. General Manager and W.R. Gray, Vice-Chairman and Managing Director, F.W. Woolworth Co. Limited (Canada) with A.L. Lucas, President, Grafton-Fraser Inc.

Licensed Departments in Woolco Department Stores

The Leased Departments remain the largest Division of the Company with 1978 sales of \$95,687,000 representing 68.9% of total Grafton-Fraser sales.

The 1978 quarterly sales trend closely paralleled the 1977 pattern. Quarterly increases of 9.4%, 3.8% and 6.6% were followed by a 4th quarter increase of 18.1% which produced a full year sales increase of 10.7%.

Total sales performance was hindered by boyswear sales. As well as factors pertinent to demographics, boyswear sales suffered from extreme inflation on popular price points and supply problems resulting from import restrictions and fabric shortages.

Business of the Division

Grafton-Fraser operates the Men's and Boys' Wear Departments under license agreements in all Woolco Department Stores in Canada.

Seven new Woolco Departments were opened in 1978 including the conversion of two former Woolworth Stores for a total of 100 departments in operation by year end.

Menswear sales benefited from an ongoing programme of maximizing sales of basics, proven best sellers including timely Christmas gift items, new active sportswear and winter apparel items.

Good expense control, a well seasoned Management and Field Supervision Group and the significant increase in 4th quarter sales resulted in a satisfactory 1978 performance for this Division.

Woolco will continue to expand in two key directions in 1979, major regional shopping malls and in secondary markets where the smaller shopping mall and a proportionately sized Woolco Department Store will represent a new, modern and dominant retail entity in the community. Grafton-Fraser will operate departments in five new Woolco stores scheduled to open in 1979.

The merchandising philosophy in the Woolco Men's and Boys' Wear Departments will continue to be based on good value and fashion awareness with the emphasis on full assortments of basics and high demand apparel items. The merchandise will remain primarily private label, complemented by well-known name brands. With the increasing impact of active sportswear and leisure apparel, the recently-acquired exclusive for Canada "JIMMY CONNORS" label will constitute an important part of the active sportswear program in 1979.

Licensed Departments.

Left to right: R.A. Evans, J. Lawrence, F. Grasby, R.O. Hutchinson, N. Parker, R. Eagleson, M.D. McLean, B.A. Reynolds.





Jack B. Coutts
Senior Vice President, Grafton-Fraser Inc.
 Born in 1924, Mr. Coutts was enrolled in the R.C.N.V.R. from 1943 to 1945. After the war he joined Maher Inc. and served in various capacities including Store Manager, Supervisor, Vice President and from 1967 to 1971, he was President and a Director. On joining the Grafton Group of Companies in 1971, he was appointed Vice President — Stores, of the Jack Fraser Division. In 1974, Mr. Coutts was promoted to the position of Senior Vice President.

Business of the Division

The Division operates 91 Jack Fraser Stores and 70 Loft Departments and 11 Jacks Shops across Canada. Jack Fraser Stores sell apparel including suits, furnishings and sportswear. Loft Departments sell junior ladies sportswear in the medium price range. Jacks Shops sell high fashion apparel that appeals to the expanding young men's market. Stores may be under a single format or three departments combined.

The Company Stores Division attained sales considerably in excess of our original projection, and well above Statistics Canada increases in our categories. Both The Loft and Jacks Stores enjoyed excellent gains in sales and profits with Jack Fraser Stores exceeding projections by a wide margin. Profits overall increased substantially due to improved margins and stringent cost controls.

Capital outlays remain high due to the increased costs of opening new stores under our accelerated expansion plans. We have been able to justify these expenditures with the attainment of projected goals.

We are particularly gratified with the progress we have made in projecting a new fashion image after discontinuing a number of departments such as boys' wear, jeans, and workwear. In large measure, we are achieving our targets for both market penetration and growth.

Long term objectives remain the same, namely —

To sell popular price fashion merchandise in attractive surroundings.
 To offer good value, superior service and courtesy in every store across Canada.

To accelerate the growth of the Specialty Stores Division.

To continue the programs of employee education, quality control, improved customer service and compensation incentives.

We are pleased with employee productivity and our consequent ability to increase their remunerations. The achievements in the past year attest to the outstanding effort of our personnel whose dedication enabled us to set new records throughout the operation.

Quality and service are monitored through regular contacts with customers across Canada and we believe that the merchandising principles used to improve our business will assure us continuing success in future years.

Jack Fraser Stores.

Left to right: D.E. Bishop (inset),
 H. Sanders, P.G. Lentine, M. Sneyd,
 D.M. Moore, J.T. Quinlan, P.D. Bickerton.

Specialty Stores.

Left to right: G.A. Stonehouse,
 R.E. Cardwell, P.L. Corvetti, B. Anyon.





Thomas P. Wilson
President, Maher Inc.

Born in 1932, Mr. Wilson commenced his career with Maher Inc. as a part-time clerk in 1946. In 1950, he became a full-time employee and performed various managerial assignments, joining the Head Office Group as a Supervisor in 1960. Elected a Director of Maher Inc. in 1962, he was appointed Vice President in 1967. Mr. Wilson was elected President in 1971.

Above, left to right:
R.C. Wilson, T.P. Wilson, J.W. Reid.

Business of the Company

Maher operates 183 retail stores across the country. Its Divisions consist of Maher, Bonita, Shoeman, Copp, J. Reid, Barclay-Lanes and Leased Departments. The various Divisions cater to different types of customers and cover the medium and higher priced shoe range.

It is a pleasure to report that sales and earnings for the year ended January 6, 1979, exceeded all previous years. Return on equity for the year was 18.6% and is highly respectable for the industry. Sales increased 20.7% to \$41,231,000, while net income rose 63.5% to \$1,706,000 from \$1,043,000. Same condition store sales increases contributed 11.5% while the remaining 9.2% increase came from net new stores and Barclay-Lanes Shoes.

The shoe industry enjoyed one of its better sales years in 1978, having been stimulated with strong new fashion trends and reduced provincial sales taxes for a good part of the year. Our own improved performance was largely attributable to significant increases in sales from existing stores and the continued improvements and efficiencies within the merchandising and operating functions.

During the year, 10 new stores were opened and 11 stores were closed, while 3 small adjacent shopping centre stores were combined. With the purchase as of April of the 11 Barclay-Lanes stores, we ended the year with 183 stores in operation.

We remain concerned with the current economic uncertainty in Canada, dramatically increasing footwear prices, delivery slowdowns and with possible supply shortages being created in the shoe industry because of government imposed restrictions. However, the increasing productivity of our stores and new product development efforts provide strong momentum for continued growth.

T.P. Wilson at National Sales Conference.



Maher Inc. family footwear.





Thomas R. Young

President Toby Industries Limited.

Born in 1920, Mr. Young started his career with Toby in 1939 in the shipping department and during the next 16 years was employed in many of the other departments of the Company. He was appointed General Manager in 1955 and elected President in 1960. After Grafton Group acquired Toby in 1969, Mr. Young was elected a Director of Grafton Group and continued as President of Toby.

Business of the Company

The Company has two divisions located in separate facilities in Toronto. The Toby Division manufactures comforters, bedspreads, cushions and other related homefurnishing items while the McGregor Division produces and imports shower curtains and other bath boutique products. The Martex line of high quality, fashionable towels and sheet ensembles has just been acquired for Canada.

Last year proved to be a very difficult period for Toby Industries. While total sales increased by 12.3% to \$14,154,000 from \$12,602,000, the net income declined to \$389,000 from \$398,000. The McGregor Division continued its improvement in sales and profitability while Toby Division encountered a dramatic change in home furnishing styles which temporarily produced an inventory imbalance which was corrected by the year end. Both Divisions were subject to inflationary price increases in raw materials and combined with devaluation of the Canadian dollar, severely affected the anticipated gross profit.

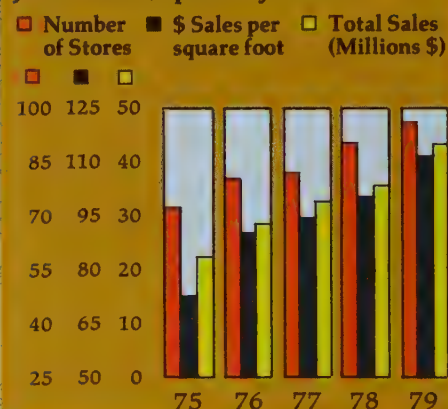
Toward the end of the year, the Company was able to negotiate sole distributorship for Martex and Lady Pepperell high fashion lines in Canada. These products add a new dimension to both Divisions in bedding and towels.

The Company encountered its first strike but this was promptly settled and both Divisions are currently operating with two year union contracts. We are looking forward to regaining our lost margins and continuing the growth in sales for both Divisions for the upcoming year. Our optimism is strengthened by an increase in order backlog of 30%.

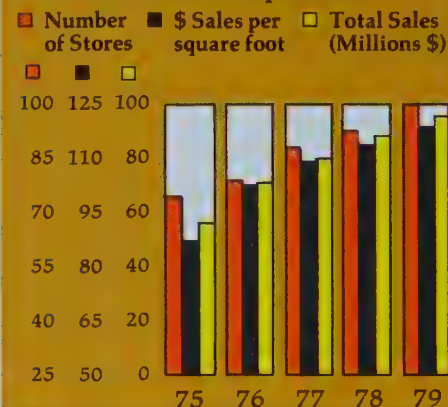


The McGregor Division Showroom, 770 Lawrence Ave. W., Toronto.
Left to right: O. Chia, R.A. Martin, A.M. Pearson.

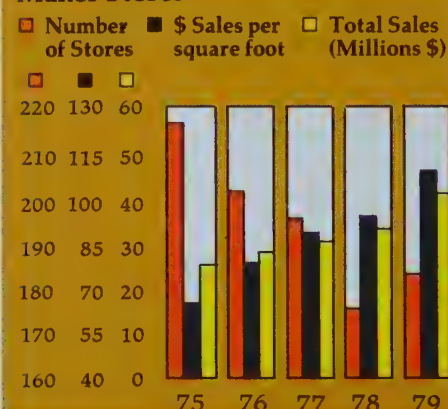
Jack Fraser/Specialty Stores



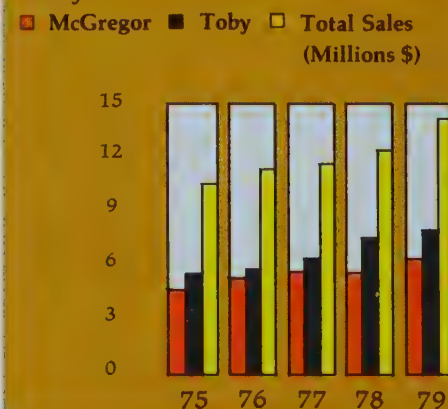
Licensed Woolco Departments



Maher Stores



Toby





George A. Reynolds
Vice President, Finance,
Grafton Group Limited.

Born in 1929, Mr. Reynolds articulated with the accounting firm of Thorne Riddell & Co., becoming a Chartered Accountant in 1957 and joined Grafton's Limited in 1963 as Controller. Mr. Reynolds was appointed Secretary of Grafton Group in 1967, Treasurer in 1968, Vice President, Finance in 1971 and a Director in 1972.

BALANCE SHEET

Cash and bank deposit receipts

Bank deposit receipts totalled \$24,300,000 and were invested on a short term basis. Cash in transit from stores and funds required to meet daily commitments represent the balance.

Marketable securities

Investments have been made in the shares of seventeen listed Canadian companies with no single investment exceeding \$600,000. The current yield on eleven preference shares is 7.6% and six common shares is 7.1%. Funds have also been invested in common shares of three listed U.S. companies. It is the Company's intention to continue to invest a portion of its excess cash in high yielding equity securities which create a positive after-tax spread over long term debt interest.

Accounts receivable

Trade accounts receivable of the manufacturing division account

for 50% of the total while the balance is mainly comprised of amounts due under licensee agreements and credit card transactions in the process of clearing. There were no loans to any officers or directors of the Company or its subsidiaries.

Inventories

Retail division inventories at the year end increased by 13.3% to \$28,709,000 from \$25,344,000 while sales rose by 14.7% with the result that inventory turns increased marginally. Manufacturing division inventory was up 8.1% on a sales increase of 12.3% with part of the inventory increase being caused by the stocking of the Martex line late in the year. Overall Company inventory turns were 6.0 compared with 5.9.

Investments

Listed marketable securities, Forsyth Trading Company Limited and George Richards Kingsize Clothes Limited make up this account. Marketable securities of \$220,000 is comprised of long term investment in two Canadian public companies. One company is currently the subject of a take-over offer which, if concluded, will result in a gain of \$300,000 after tax.

Forsyth Trading Company Limited,
33 1/3% owned

Forsyth and its subsidiaries manufacture and import high quality

shirts and other apparel items under famous names such as Pierre Cardin and Forsyth. A growing private label program is being undertaken with some of Canada's leading retailers. Forsyth consolidated sales from 1974 to date have increased annually by 31%, 10%, 27%, 31% and 10%. 66% of Grafton's total original investment in preference shares has been redeemed and it is Forsyth's intention to call the balance during the current year. The ability of the Forsyth management to upgrade its Canadian manufacturing facilities and balance its program with key import items and price points has been highly successful.

George Richards Kingsize Clothes Limited, 50% owned

George Richards currently operates 13 stores, all of which are in Ontario except for one in St. John's, Newfoundland. While expansion to date has been slower than anticipated, it is Richards' intention to expand more rapidly over the next few years. Sales in 1978 and 1977 increased by 8% and 23%.

Barclay-Lanes Shoes

Effective April 1978, the 50% interest not previously owned by the Company was acquired and Barclay-Lanes now operates as a division of Maher.

Financial Officers.

Left to right:
W.R. Smith,
D.F. Gerrish,
B.A. Renihan,
S.A. Lindsay,
S.C. Coffey,
J.R. Gillies.



Condensed, Consolidated Financial Statements of Equity Investments

BALANCE SHEET

December 31,

	1978	1977	1976
Current assets	\$23,271,000	\$19,144,000	\$15,355,000
Current liabilities	12,572,000	10,135,000	8,887,000
Working capital	10,699,000	9,009,000	6,468,000
Fixed assets, net	2,107,000	2,016,000	1,553,000
Other assets, net of liabilities	40,000	234,000	(5,000)
Net assets	<u>\$12,846,000</u>	<u>\$11,259,000</u>	<u>\$ 7,996,000</u>
Represented by			
Capital stock	\$ 1,104,000	\$ 2,514,000	\$ 3,567,000
Retained earnings	11,742,000	8,745,000	4,429,000
	<u>\$12,846,000</u>	<u>\$11,259,000</u>	<u>\$ 7,996,000</u>

STATEMENT OF INCOME

Year ended December 31

	1978	1977	1976
Sales (after eliminating inter-company sales)	\$50,321,000	\$50,031,000	\$23,035,000
Income before taxes	5,116,000	4,518,000	2,602,000
Income taxes	2,121,000	1,879,000	1,119,000
Net income for the year	<u>\$ 2,995,000</u>	<u>\$ 2,639,000</u>	<u>\$ 1,483,000</u>

Grafton Group Limited's approximate interest in the above figures is as follows:

	Amount	%	Amount	%	Amount	%
Net income (after goodwill)	<u>\$ 878,000</u>	<u>29</u>	<u>\$ 777,000</u>	<u>29</u>	<u>\$ 485,000</u>	<u>33</u>
Book value	6,182,000		5,865,000		2,613,000	
Less unamortized goodwill	1,566,000		1,768,000			
Net asset value	<u>\$4,616,000</u>	<u>36</u>	<u>\$4,097,000</u>	<u>36</u>	<u>\$2,613,000</u>	<u>33</u>

BALANCE SHEET REVIEW (Continued)

Fixed assets

The opening of 41 new stores and renovations of older stores were mainly responsible for the expenditure of \$3,136,000 on fixed assets. The net cash cost after depreciation was \$1,129,000 as compared with \$1,054,000 for the previous year.

Accounts payable and accrued liabilities

Trade accounts payable rose marginally while accruals for rents, commissions and other

sale-related items climbed due to the high December sales volume.

Income and other taxes payable

The large increase in this account resulted from a timing difference in the income tax instalments payable due to the simplification of the corporate structure.

Long term debt

On May 11, 1978 the 7¼% convertible debentures were called effective June 15, 1978 and all but \$55,000 were converted into common shares. The long

term debt payments during the next five years on the two debt issues outstanding total \$2,171,000. The number of leases which in the Company's opinion might be classified as capital leases, with the attendant debt as currently defined by the Canadian Institute of Chartered Accountants, is nominal, if any, and the long term debt-equity ratio is .27:1, improved from .48:1.

Shareholders' equity

Capital stock

During the year 248,035 shares were issued under the terms of the 7¼% convertible debentures which added \$4,962,000 to the Company's capital.

Retained earnings

The increase in this account amounted to 31% or \$11,152,000 after the payment of dividends. Regular quarterly dividends amounted to \$2,279,000 while a special dividend of 50¢ per share, \$1,562,000 in the aggregate, was paid from 1971 Capital Surplus on Hand. This latter dividend will reduce the per share cost base, for shareholders who received it, by 50¢ per share for capital gains tax purposes. The dividend was received free of income taxes at this time.

Contingent liabilities

Except for an insignificant contingent liability relating to certain notes of Forsyth Trading Company Limited amounting to \$277,000, that mature in 1980, the Company has no known liabilities relating to pension plan funding or other matters.

Anti-Inflation Legislation

In the opinion of management, the Company and all of its subsidiaries have complied with the legislation since its inception on October 14, 1975. This legislation has now expired.

SUBSIDIARIES

Grafton-Fraser Inc. —
100% owned

Sales for the year were \$138,870,000 as compared with \$122,916,000, an increase of 13% while net income rose by 29% to \$10,964,000 from \$8,497,000. A major factor in net income improvement was a decrease in inventory disappearance during the year as our loss prevention program resulted in the lowering of this cost of doing business in both % of sales and dollars. Inventories were \$20,237,000, an increase of 14.9% from \$17,619,000 and inventory stock turns decreased marginally to 6.9 from 7.0. The Company amalgamated with a wholly owned subsidiary during the year and changed its name at the time to conform with Quebec's Bill 101.

Maher Inc. — 100% of common shares owned, 60¢ preference shares listed in The Toronto Stock Exchange and 100% publicly owned.

Sales increased by 20.7% to \$41,231,000 from \$34,165,000 and net income, after provision for preference share dividends, jumped dramatically by 69.9% to \$1,612,000 from \$949,000. Inventory at the year end was \$8,472,000 compared with \$7,725,000, an increase of 9.7% while turns were up to 4.9 from 4.4. Maher and its subsidiary were amalgamated during the year and the name changed.

Toby Industries Limited —
100% owned

Though sales rose by 12.3% to \$14,154,000 from \$12,602,000, net income declined slightly to \$389,000 from \$398,000. Inventories increased by 8.1% to \$3,874,000 from \$3,585,000 with the result that the inventory turned 3.7 times as compared with 3.5 using the year end figures.

Grafton Realty Company,
Limited —
100% owned

The Company's major assets are comprised of 9 acres of land adjacent to downtown Toronto on which there is 100,000 square feet of office space, 160,000 square feet of manufacturing space and several other miscellaneous buildings; and downtown locations in 5 communities in Southern Ontario. Rental revenue from the properties was approximately \$904,000 of which 45% was from associated companies. All properties are free of any encumbrances.

STATEMENT OF INCOME

Total sales increased by 14.5% to \$194,255,000 from \$169,683,000. Of the 14.7% increase in retail sales, 9.5% came from increased productivity and 5.2% from new locations. In the Homefurnishings Division, Toby bedroom products sales rose by 8.9% and McGregor bathroom products sales by 16.8%. Cost of sales and other expenses decreased to 76.6% of sales from 77.8% while rental and license expense declined to 8.4% from 8.6% of total sales, 9.0% and 9.3% of retail sales. Operating income was 15% of sales compared with 13.5%. As the Company's external borrowings were minimal during the year, the interest account changed to an income item from an expense. Dividend income will continue to rise as the Company's portfolio of securities increases. Equity earnings represent the net earnings from Forsyth and George Richards.

Interest on long term debt was higher as the 10.5% debentures were outstanding for a full year as compared with 8 months, but this was offset somewhat by the conversion of the 7¼% debentures in June.

Pre-tax income rose by 34.3% to \$27,164,000 from \$20,227,000 or 14% of sales compared with 11.9% for last year.

The apparent income tax rate was 44.5% in the current year and 45.1% for last year. The inventory allowance for income tax purposes was \$595,000 this year and \$391,000 last year, (the increase being partially due to the amalgamations). The rates of tax prior to the allowance were 46.7% and 47.0% and reflect the increased importance of dividend income.

Earnings per share are shown as "Basic" and "Fully Diluted."

Basic earnings per share have been calculated on the average number of shares outstanding during the year, 3,030,152 shares, even though the number of shares outstanding at the year end was 3,123,169 which is the ongoing number after conversion of the convertible debentures. Fully diluted earnings are calculated by adding to net income the after tax cost of the interest on the convertible debentures for the year and dividing by the number of shares outstanding at the year end. Basic earnings per share before extraordinary item increased by 29% to \$4.94 from \$3.83 while the ongoing fully diluted earnings per share figures rose by 34.6% to \$4.82 from \$3.58.

Summary of Financial Data by Corporate Division

	Sales								
	1979			1978			1977		
	Amount 000's	% of Total	% Increase	Amount 000's	% of Total	% Increase	Amount 000's	% of Total	% Increase
Grafton-Fraser Inc. Stores	\$ 43,183	22.2	18.5	\$ 36,456	21.5	13.3	\$ 32,177	20.8	11.8
Licensed Woolco Departments	95,687	49.3	10.7	86,460	50.9	5.4	79,762	51.4	14.0
	138,870	71.5	13.0	122,916	72.4	9.8	111,939	72.2	13.4
Maher Inc.	41,231	21.2	20.7	34,165	20.1	8.3	31,553	20.4	7.5
Toby Industries Limited	14,154	7.3	12.3	12,602	7.5	9.6	11,496	7.4	3.1
Total	<u>\$194,255</u>	<u>100.0</u>	<u>14.5</u>	<u>\$169,683</u>	<u>100.0</u>	<u>9.5</u>	<u>\$154,988</u>	<u>100.0</u>	<u>11.3</u>
	Net Income								
	1979			1978			1977		
	Amount 000's	% of Total	% Increase	Amount 000's	% of Total	% Increase	Amount 000's	% of Total	
Grafton-Fraser Inc.	\$ 10,964	73.1	29.0	\$ 8,497	77.2	20.9	\$ 7,029	79.3	
Maher Inc.	1,612	10.8	69.9	949	8.6	43.1	663	7.5	
Toby Industries Limited	389	2.6	(2.3)	398	3.6	82.6	218	2.5	
Grafton Realty Company, Limited	52	0.3	92.6	27	0.2	145.5	11	0.1	
Grafton Group Limited (net of consolidation adjustments)	1,976	13.2	73.2	1,141	10.4	20.4	948	10.6	
Total before extraordinary item	<u>\$ 14,993</u>	<u>100.0</u>	<u>36.2</u>	<u>\$ 11,012</u>	<u>100.0</u>	<u>24.2</u>	<u>\$ 8,869</u>	<u>100.0</u>	
	Gross Assets								
	1979			1978			1977		
	Amount 000's	% of Total		Amount 000's	% of Total		Amount 000's	% of Total	
Grafton-Fraser Inc.	\$ 43,516	41.8		\$ 44,731	52.3		\$ 34,990	56.1	
Maher Inc.	14,988	14.4		13,916	16.3		13,429	21.5	
Toby Industries Limited	8,286	8.0		7,563	8.8		6,509	10.4	
Grafton Realty Company, Limited	3,246	3.1		3,535	4.1		3,284	5.3	
Grafton Group Limited (net of consolidation adjustments)	34,019	32.7		15,845	18.5		4,155	6.7	
Total	<u>\$104,055</u>	<u>100.0</u>		<u>\$ 85,590</u>	<u>100.0</u>		<u>\$ 62,367</u>	<u>100.0</u>	

Consolidated Statements of Income and Retained Earnings

Grafton Group Limited		Year ended January 31,	
	INCOME	1979	1978
Sales			
Retail		\$180,101,000	\$157,081,000
Manufacturing		14,154,000	12,602,000
		194,255,000	169,683,000
Cost of sales and expenses other than undernoted		148,881,000	132,074,000
Rental and license expense		16,241,000	14,644,000
		165,122,000	146,718,000
Income from operations before the following		29,133,000	22,965,000
Interest income (net)		558,000	
Dividend income		549,000	139,000
Equity in earnings of investments		878,000	777,000
		1,985,000	916,000
Income before taking into account the undernoted items		31,118,000	23,881,000
Depreciation		2,007,000	1,728,000
Interest on long term debt		1,805,000	1,701,000
Other interest expense (net)			83,000
Amortization of goodwill		142,000	142,000
		3,954,000	3,654,000
Income before income taxes, minority shareholders' interest and extraordinary item		27,164,000	20,227,000
Income taxes		12,077,000	9,121,000
Income before minority shareholders' interest and extraordinary item		15,087,000	11,106,000
Preference share dividends paid to minority shareholders of Maher Inc.		94,000	94,000
Income before extraordinary item		14,993,000	11,012,000
Gain on sale of listed marketable securities, net of income taxes of \$54,000			246,000
NET INCOME FOR THE YEAR		\$ 14,993,000	\$ 11,258,000
EARNINGS PER SHARE (note 6)			
Basic			
Income before extraordinary item		\$4.94	\$3.83
Net income for the year		4.94	3.92
Fully diluted			
Income before extraordinary item		\$4.82	\$3.58
Net income for the year		4.82	3.66
RETAINED EARNINGS		1979	1978
BALANCE AT BEGINNING OF YEAR		\$ 35,993,000	\$ 26,505,000
Net income for the year		14,993,000	11,258,000
Contributed surplus transferred to retained earnings			156,000
		50,986,000	37,919,000
Dividends on common shares			
Regular (1979, 76¢ per share; 1978, 67¢ per share)		2,279,000	1,926,000
Special from capital surplus (50¢ per share)		1,562,000	
		3,841,000	1,926,000
BALANCE AT END OF YEAR		\$ 47,145,000	\$ 35,993,000

Grafton Group Limited
(Incorporated under the laws of Ontario)

	January 31,	
ASSETS	1979	1978
CURRENT ASSETS		
Cash and bank deposit receipts	\$ 30,638,000	\$ 25,209,000
Marketable securities, at lower of cost and market (market value, \$10,161,000; 1978, \$2,799,000)	8,629,000	2,251,000
Accounts receivable	6,257,000	5,199,000
Inventories (note 2)	32,583,000	28,929,000
Deposits and prepaid expenses	669,000	265,000
	<u>78,776,000</u>	<u>61,853,000</u>
INVESTMENTS (note 3)	<u>6,477,000</u>	<u>6,167,000</u>
FIXED ASSETS, at cost		
Land	1,348,000	1,348,000
Buildings	3,461,000	3,065,000
Equipment, fixtures and leaseholds	18,825,000	16,336,000
	<u>23,634,000</u>	<u>20,749,000</u>
Less accumulated depreciation	10,182,000	8,702,000
	<u>13,452,000</u>	<u>12,047,000</u>
UNAMORTIZED FINANCING COSTS	<u>345,000</u>	<u>376,000</u>
GOODWILL, less amortization	<u>5,005,000</u>	<u>5,147,000</u>
	<u><u>\$104,055,000</u></u>	<u><u>\$85,590,000</u></u>

Approved by the Board
JOHN B. RIDLEY, *Director*
G.R. CHATER, *Director and President*

LIABILITIES	January 31,	
	<u>1979</u>	<u>1978</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 18,208,000	\$15,866,000
Income and other taxes payable	<u>7,971,000</u>	<u>3,118,000</u>
	<u>26,179,000</u>	<u>18,984,000</u>
LONG TERM DEBT (note 4)	<u>15,900,000</u>	<u>21,017,000</u>
DEFERRED INCOME TAXES	<u>806,000</u>	<u>533,000</u>
PREFERENCE SHARES HELD BY MINORITY SHAREHOLDERS of Maher Inc.	<u>1,413,000</u>	<u>1,413,000</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5)		
Authorized		
5,250,000 Common shares without par value		
Issued		
3,123,169 Common shares (1978, 2,875,134 shares)	12,612,000	7,650,000
RETAINED EARNINGS	<u>47,145,000</u>	<u>35,993,000</u>
	<u>59,757,000</u>	<u>43,643,000</u>
	<u>\$104,055,000</u>	<u>\$85,590,000</u>

Long term leases (note 7)

Grafton Group Limited	Year ended January 31,	
	1979	1978
WORKING CAPITAL DERIVED FROM		
Operations		
Income before extraordinary item	\$14,993,000	\$11,012,000
Items not involving working capital		
Depreciation	2,007,000	1,728,000
Deferred income taxes	273,000	57,000
Amortization	173,000	163,000
Equity in earnings of investments	(878,000)	(777,000)
	<u>16,568,000</u>	<u>12,183,000</u>
Sale of fixed assets	71,000	167,000
Redemption of preference shares of Forsyth Trading Company Limited	333,000	333,000
Decrease in mortgages receivable	7,000	40,000
Issue of common shares upon conversion of 7¼% convertible debentures	4,962,000	15,000
Proceeds from issue of common shares		405,000
Reclassification of investments as marketable securities		443,000
Proceeds from sale of investments, net of income taxes		572,000
Issue of long term debt, net of financing costs of \$397,000		14,603,000
	<u>21,941,000</u>	<u>28,761,000</u>
WORKING CAPITAL APPLIED TO		
Additions to fixed assets	3,136,000	2,782,000
Dividends on common shares		
Regular	2,279,000	1,926,000
Special from capital surplus	1,562,000	
Reduction in non-current portion of long term debt	5,117,000	3,378,000
Acquisition of 50% equity in Barclay-Lanes Shoes less its working capital at date of acquisition of \$116,000	119,000	
Purchase of 50% interest in George Richards Kingsize Clothes Limited		2,808,000
	<u>12,213,000</u>	<u>10,894,000</u>
INCREASE IN WORKING CAPITAL	<u>9,728,000</u>	<u>17,867,000</u>
WORKING CAPITAL AT BEGINNING OF YEAR	<u>42,869,000</u>	<u>25,002,000</u>
WORKING CAPITAL AT END OF YEAR	<u>\$52,597,000</u>	<u>\$42,869,000</u>
	<u>1979</u>	<u>1978</u>
COMPONENTS OF INCREASE IN WORKING CAPITAL		
INCREASE (DECREASE) IN CURRENT ASSETS		
Cash and bank deposit receipts	\$ 5,429,000	\$15,098,000
Marketable securities	6,378,000	2,251,000
Accounts receivable	1,058,000	1,014,000
Inventories	3,654,000	1,344,000
Deposits and prepaid expenses	404,000	(48,000)
	<u>16,923,000</u>	<u>19,659,000</u>
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	2,342,000	4,657,000
Income and other taxes payable	4,853,000	(1,713,000)
Principal due within one year on long term debt		(1,152,000)
	<u>7,195,000</u>	<u>1,792,000</u>
INCREASE IN WORKING CAPITAL	<u>\$ 9,728,000</u>	<u>\$17,867,000</u>

Grafton Group Limited
Year ended January 31, 1979

1. SUMMARY OF ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies since dates of acquisition. The major operating subsidiaries are as follows:

	Fiscal Year of Acquisition	Accounting Year End
Grafton-Fraser Inc.	1968	January 3, 1979
Toby Industries Limited	1970	December 31, 1978
Grafton Realty Company, Limited	1972	December 31, 1978
Maher Inc.	1975	January 6, 1979

(b) Investments

The consolidated financial statements include, on an equity accounting basis, all of the companies in which the Company has a significant influence. The operating companies accounted for on this basis are as follows:

	Fiscal Year of Acquisition	Accounting Year End
Forsyth Trading Company Limited	1974	December 31, 1978
George Richards Kingsize Clothes Limited	1978	December 31, 1978

(c) Inventories

The inventories are valued on the following basis:

Retail inventory — lower of cost and net realizable value less normal profit margin.

Manufacturing inventory

Raw materials — lower of cost and replacement cost.

Work in process and finished goods — lower of cost and net realizable value.

(d) Fixed Assets

Depreciation is provided as follows:

Buildings	5% diminishing balance
Equipment and fixtures	20% diminishing balance and 10% straight-line
Leaseholds	term of lease, straight-line

(e) Goodwill

Goodwill, the excess of cost over underlying book value of Maher Inc., acquired during the 1975 fiscal year, is being amortized in accordance with the requirements of the Canadian Institute of Chartered Accountants on a straight-line basis over forty years from July 1, 1974. Accumulated amortization to January 31, 1979 is \$639,000.

(f) Income Taxes

The Company charges earnings with income taxes currently payable and also with income taxes deferred by claiming certain costs for income tax purposes in amounts differing from the related costs charged to income. The accumulated total of such income tax deferments is reflected in the consolidated balance sheet as "Deferred income taxes".

(g) Financing Costs

Costs of issuing long-term debt are deferred in the year incurred and amortized against income over the term of the applicable issue.

(h) Pension Costs

Current service pension costs are charged to operations annually.

2. INVENTORIES

	1979	1978
Retail		
Apparel	\$20,237,000	\$17,619,000
Footwear	8,472,000	7,725,000
	<u>28,709,000</u>	<u>25,344,000</u>
Manufacturing		
Raw materials	1,443,000	1,291,000
Work in process	248,000	449,000
Finished goods	2,183,000	1,845,000
	<u>3,874,000</u>	<u>3,585,000</u>
	<u>\$32,583,000</u>	<u>\$28,929,000</u>

3. INVESTMENTS

	1979	1978
Forsyth Trading Company Limited		
Redeemable preference shares, at cost	\$ 1,000,000	\$ 1,000,000
Less redeemed	666,000	333,000
	<u>334,000</u>	<u>667,000</u>
Common shares, 33⅓% interest, at equity	3,033,000	2,103,000
	<u>3,367,000</u>	<u>2,770,000</u>
George Richards Kingsize Clothes Limited		
Common shares, 50% interest, at equity	2,815,000	2,867,000
Barclay-Lanes Shoes, 50% interest, at equity		228,000
Mortgages receivable	75,000	82,000
Listed marketable securities at cost less provision for decline in value (market value 1979, \$524,000; 1978, \$448,000)	<u>220,000</u>	<u>220,000</u>
	<u>\$ 6,477,000</u>	<u>\$ 6,167,000</u>

The investment in George Richards Kingsize Clothes Limited is being accounted for on the equity method with the goodwill acquired of \$1,911,000 being amortized to equity income over ten years on a straight-line basis. The purchase agreement contains an option whereby Grafton-Fraser Inc. may purchase or may be required to purchase the remaining 50% of the shares of George Richards Kingsize Clothes Limited at a price to be determined by an agreed upon formula. This option is exercisable after April 28, 1982.

Effective April 1, 1978, a subsidiary company, Maher Inc., acquired the 50% equity in the Barclay-Lanes Shoes partnership not previously owned. Prior to that date, the Company's share of the earnings (losses) of the partnership were included in the financial statements on an equity basis. Thereafter, 100% of the assets, liabilities, sales and expenses of Barclay-Lanes Shoes have been included in the financial statements.

The details of the acquisition of the 50% equity in Barclay-Lanes Shoes are as follows:

Current assets, net of current liabilities, at fair values	\$116,000
Fixed assets, at fair values	<u>347,000</u>
	463,000
Less equity in Barclay-Lanes Shoes, at date of acquisition	<u>228,000</u>
Consideration, being cash	<u>\$235,000</u>

The Company has entered into an agreement on February 2, 1979 to finance exploration and development activities for oil and gas properties. The agreement is for five years subject to termination on one year's notice by the Company. The Company's maximum required funding contribution in any one year is three million dollars.

4. LONG TERM DEBT

	1979	1978
(a) 7¼% Convertible debentures		\$ 5,017,000
(b) 10½% Sinking fund debentures, Series A, maturing June 1, 1997	\$15,000,000	15,000,000
(c) 6¾% Sinking fund debentures, Series A, maturing April 1, 1987	900,000	1,000,000
	15,900,000	21,017,000
Less principal due within one year	Nil	Nil
	<u>\$15,900,000</u>	<u>\$21,017,000</u>

- (a) On May 11, 1978, under the terms of the Trust Indenture governing the 7¼% convertible debentures, the Company exercised its option to call for the redemption of all outstanding 7¼% convertible debentures, effective June 15, 1978. As a result of the redemption, 248,035 common shares of the Company were issued from Treasury with cash or scrip certificates for the balance (see note 5).
- (b) The 10½% sinking fund debentures, Series A, mature on June 1, 1997 and require sinking fund payments sufficient to retire \$900,000 principal amount of the Series A debentures on June 1 in each of the years 1982 to 1996 inclusive. The Company has the right, when not in default, to redeem in whole or in part the issued and outstanding Series A debentures under conditions as set out in the Trust Indenture. The Company is restricted from paying cash dividends on shares if such payments exceed consolidated net income earned after January 31, 1977 plus \$7,000,000. The Trust Indenture contains certain asset and earnings tests which govern the issuance of additional funded obligations.
- (c) The 6¾% sinking fund debentures, Series A, maturing April 1, 1987, of Maher Inc., are secured by a first floating charge on the assets of Maher Inc. The more significant of the covenants of the trust deed restrict Maher Inc. from reducing its consolidated working capital below \$1,000,000 and from paying dividends on common shares if such payments would reduce consolidated working capital (which was \$6,120,000 at January 6, 1979) below \$1,250,000. At January 6, 1979, the Company had a sinking fund credit sufficient to meet the \$90,000 payment due in 1980. The payments required in 1980 and future years average approximately \$115,000 per annum to 1987, the date of maturity.

Principal repayments within the next five fiscal years on all long term debt of Grafton Group Limited and subsidiary companies are approximately:

	January 31, 1979	January 31, 1978
1979	Nil	Nil
1980	Nil	\$ 5,069,000
1981	\$ 48,000	96,000
1982	101,000	101,000
1983	1,008,000	1,008,000
1984	1,014,000	
	2,171,000	6,274,000
due beyond five years	13,729,000	14,743,000
	<u>\$15,900,000</u>	<u>\$21,017,000</u>

5. CAPITAL STOCK

	<u>1979</u>	<u>1978</u>
Common shares		
Issued		
Issued under the terms of the 7¼% convertible debentures, 248,035 shares (1978, 780 shares)	\$4,962,000	\$ 15,000
Issued under the terms of the Employee Stock Option Plan, 28,125 shares at \$14.40.		
This plan expired on February 11, 1977		405,000
	<u>\$4,962,000</u>	<u>\$420,000</u>

6. EARNINGS PER SHARE

Basic earnings per share are calculated based upon the weighted average number of shares outstanding during the year (3,030,152 in 1979 and 2,874,354 shares in 1978).

Fully diluted earnings per share are based upon the weighted average number of shares outstanding during the year, calculated as though the 7¼% convertible debentures had been converted to common shares effective February 1, 1977.

7. LONG TERM LEASES

Based upon all leases including licenses in existence at their fiscal period ends, the aggregate minimum amount that will be incurred by all the Company's subsidiaries as annual rental or license expense during their next five fiscal years is approximately \$8,838,000.

8. OTHER STATUTORY INFORMATION

Remuneration of directors and the senior officers of the Company and its subsidiaries (as defined by The Business Corporations Act) was \$660,000 (1978, \$639,000).

Auditors' Report

To the Shareholders of
Grafton Group Limited

We have examined the consolidated balance sheet of Grafton Group Limited as at January 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 2, 1979

Thorne Riddell & Co.
Chartered Accountants



Grafton Group Limited

	1979	1978	1977	1976
TOTAL SALES	194,255	169,683	154,988	139,248
Retail Divisions				
Apparel				
Stores	43,183	36,456	32,177	28,771
Licensed Woolco Departments	95,687	86,460	79,762	69,971
	138,870	122,916	111,939	98,742
Footwear	41,231	34,165	31,553	29,359
	180,101	157,081	143,492	128,101
Homefurnishings Division	14,154	12,602	11,496	11,147
Cost of sales and expenses other than undernoted	148,881	132,338	121,903	107,981
Rentals and license expense	16,241	14,380	13,150	11,541
	165,122	146,718	135,053	119,522
Income from operations before the following	29,133	22,965	19,935	19,726
Percent to sales	15.0	13.5	12.9	14.2
Interest income (net)	558			
Income from investments	1,427	916	580	611
Gain on sale of fixed assets				
Income before taking into account the undernoted items	31,118	23,881	20,515	20,337
Depreciation	2,007	1,728	1,516	1,320
Interest on long term debt	1,805	1,701	1,018	1,144
Other interest (net)		83	783	676
Amortization of goodwill	142	142	142	142
Provision for write down of investments				
	3,954	3,654	3,459	3,282
Income before undernoted	27,164	20,227	17,056	17,055
Income taxes	12,077	9,121	8,093	8,427
Income before undernoted items	15,087	11,106	8,963	8,628
Minority interests	94	94	94	97
INCOME BEFORE EXTRAORDINARY ITEM	14,993	11,012	8,869	8,531
Extraordinary item		246		
NET INCOME FOR THE YEAR	14,993	11,258	8,869	8,531
Earnings per common share before extraordinary item				
— Fully Diluted	4.82	3.58	2.93	2.81
Dividends per common share (regular)	.76	.67	.473	.40
Special dividend from Capital Surplus	.50			
Dividend percentage of earnings (regular)	15.2	17.1	15.2	13.3
Total dividend percentage of earnings	25.6			
Weighted average number of shares outstanding	3,030,152	2,874,354	2,843,128	2,838,390
Effective tax rate percentage	44.5	45.1	47.4	49.4
Rentals as a percentage of sales	8.4	8.6	8.5	8.3

January 31,						
1975	1974	1973	1972	1971	1970	1969
Omitting \$000's						
104,589	71,263	59,599	48,882	42,004	36,153	25,219
21,915	19,213	16,286	14,704	13,136	12,452	10,705
56,931	46,505	38,129	29,576	24,759	19,586	14,514
78,846	65,718	54,415	44,280	37,895	32,038	25,219
15,285						
94,131	65,718	54,415	44,280	37,895	32,038	25,219
10,458	5,545	5,184	4,602	4,109	4,115	
82,810	55,798	47,708	39,790	34,396	30,482	21,630
8,390	5,984	4,943	3,951	3,353	2,468	1,769
91,200	61,782	52,651	43,741	37,749	32,950	23,399
13,389	9,481	6,948	5,141	4,255	3,203	1,820
12.8	13.3	11.7	10.5	10.1	8.9	7.2
341					27	
200						
13,930	9,481	6,948	5,141	4,255	3,230	1,820
945	567	393	267	196	161	100
764	172	112				
781	275	101	119	356	360	255
71						
359	87					
2,920	1,101	606	386	552	521	355
11,010	8,380	6,342	4,755	3,703	2,709	1,465
5,763	4,310	3,067	2,445	2,009	1,461	789
5,247	4,070	3,275	2,310	1,694	1,248	676
67	36	42	51	56	218	54
5,180	4,034	3,233	2,259	1,638	1,030	622
5,180	4,034	3,233	2,259	1,638	1,030	622
1.78	1.43	1.15	.81	.67	.46	.39
.34	.28	.217	.133	.033		
18.6	19.6	18.9	16.4	5.0		
2,834,617	2,825,400	2,812,050	2,870,500	2,462,244	2,462,244	1,645,125
52.3	51.4	48.4	51.4	54.3	53.9	53.9
8.0	8.4	8.3	8.1	8.0	6.8	7.0

Grafton Group Limited

ASSETS	1979	1978	1977
CURRENT ASSETS			
Cash and bank deposit receipts	30,638	25,209	10,111
Marketable securities at lower of cost and market	8,629	2,251	
Accounts receivable	6,257	5,199	4,185
Inventories	32,583	28,929	27,585
Deposits and prepaid expenses	669	265	313
	<u>78,776</u>	<u>61,853</u>	<u>42,194</u>
INVESTMENTS AND OTHER RECEIVABLES	<u>6,477</u>	<u>6,167</u>	<u>3,724</u>
FIXED ASSETS, at cost			
Land	1,348	1,348	1,348
Buildings	3,461	3,065	3,025
Equipment, fixtures and leaseholds	18,825	16,336	14,739
	<u>23,634</u>	<u>20,749</u>	<u>19,112</u>
Less accumulated depreciation	10,182	8,702	7,952
	<u>13,452</u>	<u>12,047</u>	<u>11,160</u>
UNAMORTIZED FINANCING COSTS	345	376	
GOODWILL, less amortization	5,005	5,147	5,289
	<u>104,055</u>	<u>85,590</u>	<u>62,367</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank advances			
Accounts payable and accrued liabilities	18,208	15,866	11,209
Income and other taxes payable	7,971	3,118	4,831
Principal due within one year on long term debt			1,152
	<u>26,179</u>	<u>18,984</u>	<u>17,192</u>
LONG TERM DEBT	<u>15,900</u>	<u>21,017</u>	<u>9,395</u>
DEFERRED INCOME TAXES	806	533	476
PREFERENCE SHARES HELD BY MINORITY SHAREHOLDERS	<u>1,413</u>	<u>1,413</u>	<u>1,413</u>
SHAREHOLDERS' EQUITY			
CAPITAL STOCK, Issued			
Preference Shares			
Common Shares	12,612	7,650	7,230
CONTRIBUTED SURPLUS			156
RETAINED EARNINGS	47,145	35,993	26,505
	<u>59,757</u>	<u>43,643</u>	<u>33,891</u>
	<u>104,055</u>	<u>85,590</u>	<u>62,367</u>
WORKING CAPITAL	<u>52,597</u>	<u>42,869</u>	<u>25,002</u>
Working capital ratio	3.0:1	3.3:1	2.5:1
Long term debt to equity ratio	.27:1	.48:1	.28:1
Accounts payable to inventory ratio	.56:1	.55:1	.41:1
Return on shareholders' equity (year end)	25.1	25.8	26.2
Inventory turnover — total	6.0	5.9	5.6
— retail	6.3	6.2	5.9

January 31,					
1976	1975	1974	1973	1972	1971
Omitting 000's					
8,391	3,112	2,280	2,444	2,079	14
225	225	214	355	230	
4,445	4,192	3,071	2,676	2,051	1,878
24,545	23,791	11,440	8,601	6,519	5,845
416	238	168	282	584	100
38,022	31,558	17,173	14,358	11,463	7,837
3,022	2,447	3,016	1,013	874	797
1,348	1,348	1,390	1,390	413	
2,930	2,722	2,754	2,949	668	
12,902	11,814	4,803	3,979	3,759	3,178
17,180	15,884	8,947	8,318	4,840	3,178
6,666	5,880	3,148	2,925	2,619	1,920
10,514	10,004	5,799	5,393	2,221	1,258
5,431	5,573				
56,989	49,582	25,988	20,764	14,558	9,892
	4,364				275
13,676	8,278	5,741	6,106	4,001	3,098
3,296	3,793	3,392	965	671	1,071
1,202	412	107	147	740	
18,174	16,847	9,240	7,218	5,412	4,444
10,679	11,936	1,628	1,720		190
442	355	79	73	41	37
1,413	1,631	479	662	788	907
					482
7,143	7,055	7,018	6,790	6,666	4,042
156	172	175	175	167	149
18,982	11,586	7,369	4,126	1,484	(359)
26,281	18,813	14,562	11,091	8,317	4,314
56,989	49,582	25,988	20,764	14,558	9,892
19,848	14,711	7,933	7,140	6,051	3,393
2.1:1	1.9:1	1.9:1	2.0:1	2.1:1	1.8:1
.41:1	.63:1	.11:1	.16:1		.04:1
.56:1	.35:1	.50:1	.71:1	.61:1	.53:1
32.4	27.5	27.7	29.1	27.2	38.0
5.7	4.4	6.2	6.9	7.5	7.2
5.9	4.6	6.5	7.2	7.9	7.5

Grafton Group Limited

January 31,

1979	1978	1977	1976	1975	1974	1973	1972	1971
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Omitting \$000's

QUARTERLY STATISTICS

SALES

1st Quarter	32,660	28,841	28,297	23,379	15,184	11,867	10,034	8,211	7,358
2nd Quarter	44,164	39,407	37,689	32,457	21,800	16,894	14,141	11,764	10,208
3rd Quarter	45,212	40,082	36,229	33,671	27,933	15,882	13,847	11,474	9,424
4th Quarter	72,219	61,353	52,773	49,741	39,672	26,621	21,577	17,433	15,014
Total	194,255	169,683	154,988	139,248	104,589	71,264	59,599	48,882	42,004

OPERATING INCOME AS A
PERCENTAGE OF SALES

1st Quarter	8.0	7.8	9.0	9.8	10.4	8.3	6.9	6.0	5.5
2nd Quarter	9.9	9.8	9.0	11.3	10.9	10.6	10.0	10.0	9.8
3rd Quarter	12.3	11.5	11.0	13.2	9.7	9.0	8.3	7.3	6.8
4th Quarter	23.0	19.9	19.0	18.7	16.9	19.9	17.1	15.1	14.7
For year	15.0	13.5	12.9	14.2	12.8	13.3	11.7	10.5	10.1

NET INCOME BEFORE
EXTRAORDINARY ITEM

1st Quarter	993	832	876	718	633	434	301	189	125
2nd Quarter	2,320	1,776	1,449	1,576	1,131	808	651	517	378
3rd Quarter	2,466	1,891	1,499	1,718	804	595	502	361	200
4th Quarter	9,214	6,513	5,045	4,519	2,612	2,197	1,779	1,192	935
Total	14,993	11,012	8,869	8,531	5,180	4,034	3,233	2,259	1,638

EARNINGS PER SHARE BEFORE
EXTRAORDINARY ITEM
(FULLY DILUTED)

1st Quarter	.33	.28	.30	.24	.22	.15	.11	.07	.05
2nd Quarter	.75	.58	.48	.53	.40	.29	.23	.18	.13
3rd Quarter	.79	.62	.50	.57	.29	.21	.18	.13	.07
4th Quarter	2.95	2.10	1.65	1.47	.87	.78	.63	.43	.42
Total	4.82	3.58	2.93	2.81	1.78	1.43	1.15	.81	.67

WEIGHTED AVERAGE
NUMBER OF SHARES
OUTSTANDING

3,030,152	2,874,354	2,843,128	2,838,390	2,834,617	2,825,400	2,812,050	2,780,500	2,462,244
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Calendar Year

EIGHT YEAR RECORD
OF STOCK PRICES

High	35.50	22.50	24.67	21.33	18.83	28.00	28.00	13.83
Low	21.00	15.62	15.67	13.75	11.33	14.00	13.33	9.58

	1979	1978	1977	1976	1975	1974	1973	1972
Market Price, January 31	38.87	22.00	15.67	23.11	17.33	15.00	25.00	16.33
Price earnings multiple, January 31	8.06	6.15	5.35	8.21	9.74	10.51	21.80	20.08
Volume of Shares traded during the year	449,000	259,200	170,200	283,500	345,600	290,100	450,900	694,500
Number of Shareholders	1,092	605	583	644	651	672	612	584
Number of Full Time Employees	1,975	1,860	1,800	1,775	1,750	1,000	850	775

VALUATION DAY SHARE PRICES: For capital gains purposes, some shareholders may need to know the value of their shares on Valuation Day. The December 22, 1971, Valuation Day value, as established by Revenue Canada is \$13.33 for Grafton Group Limited common shares and \$7.50 for Maher Inc. preference shares.

Grafton Group Limited

January 31,

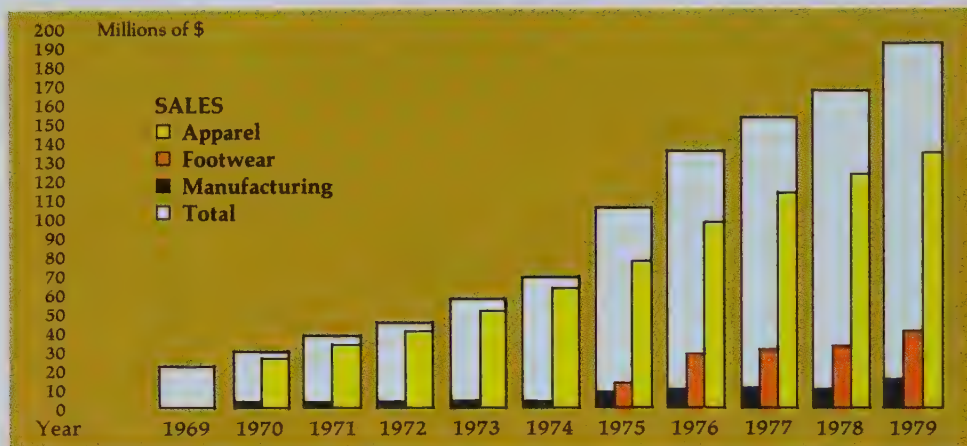
	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
NUMBER OF BRANCHES											
Apparel Division											
Leased Woolco Depts.	100	93	86	79	72	67	56	47	41	33	27
Company Stores	96	89	80	79	72	65	54	51	46	41	39
Total	196	182	166	158	144	132	110	98	87	74	66
Footwear Division	183	176	196	203	217						
BRANCHES OPENED											
Apparel Division	20	20	15	16	15	24	16	13	14	10	6
Footwear Division	21	15	3	14	24						
BRANCHES CLOSED OR COMBINED											
Apparel Division	6	4	7	2	3	2	4	2	1	2	2
Footwear Division — Closed	11	15	10	28	17						
— Combined	3	20									
STORE SPACE AT END OF YEAR, omitting 000's											
Apparel Division	1,192	1,134	1,070	1,005	912	850	718	633	579	488	424
Footwear Division	369	353	351	364	398						
SALES PER SQUARE FOOT based on year end space											
Apparel Division											
Leased Woolco Depts.	\$119.2	112.6	109.1	103.8	92.7	81.6	80.6	73.4	70.7	69.2	62.3
Company Stores	\$110.8	99.6	94.9	86.9	73.5	68.6	66.5	63.9	57.4	60.7	56.1
Total Apparel	\$116.4	108.4	104.5	98.2	86.5	77.3	75.8	69.9	65.4	65.6	59.5
Footwear Division	\$111.7	96.8	88.7	79.6	67.8						

SALES BY REGION

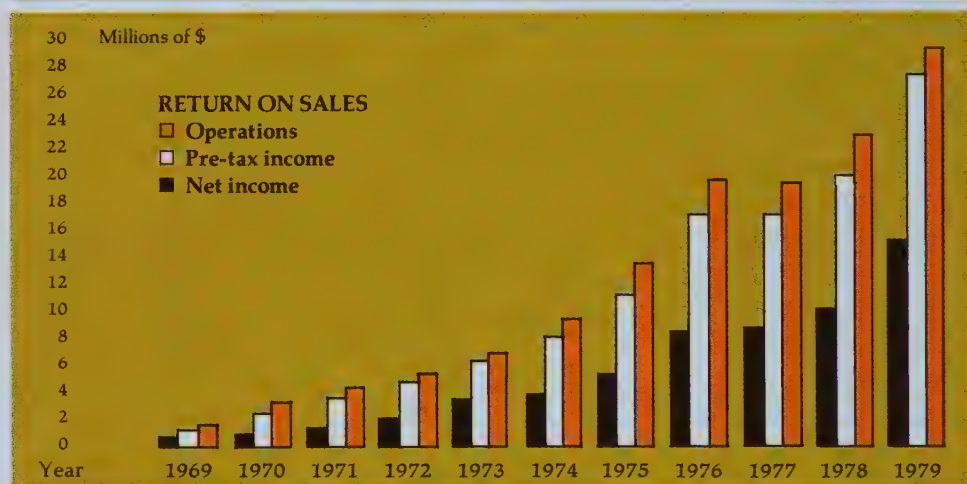
	APPAREL DIVISION								FOOTWEAR DIVISION			
	Leased Woolco Depts.				Company Stores							
	No. of Stores	% of Sales	No. of Stores	% of Sales	No. of Stores	% of Sales	No. of Stores	% of Sales	No. of Stores	% of Sales	No. of Stores	% of Sales
	1979		1978		1979		1978		1979		1978	
British Columbia	7	5.5	5	5.1	14	9.7	12	9.9	42	18.7	41	20.5
Alberta	9	13.7	9	14.3	8	9.6	7	9.3	7	3.0	6	2.8
Saskatchewan and Manitoba	11	13.4	11	13.3	6	6.8	6	6.4	4	1.7	4	1.5
Ontario	38	35.3	35	36.3	56	64.4	54	66.8	108	65.3	106	65.2
Quebec	26	21.4	25	20.5			1	.8	8	4.8	7	4.7
Maritimes	9	10.7	8	10.5	12	9.5	9	6.8	14	6.5	12	5.3
Total	100	100.0	93	100.0	96	100.0	89	100.0	183	100.0	176	100.0

A specific list of store locations is available on request.

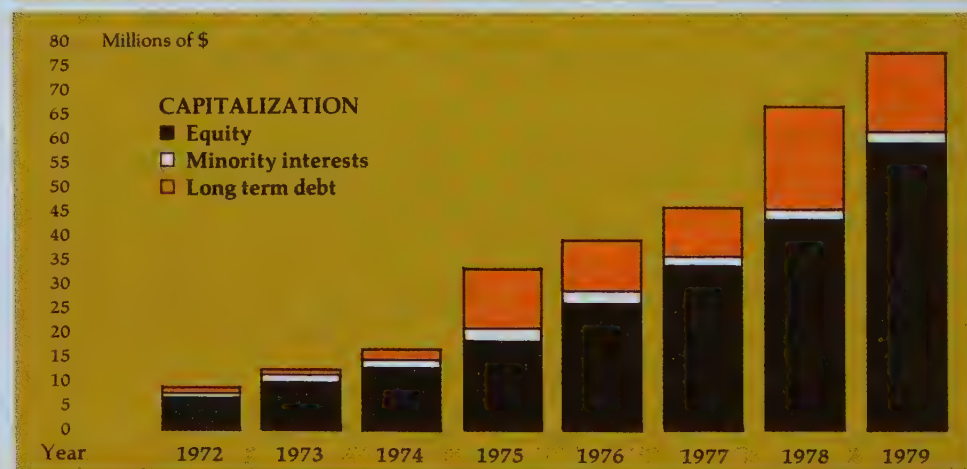
1. Sales — The sales graph, by divisions, shows that one year, 5 year and 10 year compound growth rates are 14%, 22% and 23%.



2. Operating, Pre-Tax Income and Net Income — The one year, 5 year and 10 year compound increase in net income are 36%, 30% and 37% respectively.



3. Capitalization — The graph illustrates that the major source of company funds is being generated by rapidly increasing Shareholders' Equity and that long term debt has increased to a lesser extent over the past five years.



4. Dividends and Earnings Per Share — The graph indicates dividends paid per share at a modest level, having been inhibited by the Anti-Inflation Act which expired October 14, 1978.

A special dividend of 50¢ per share was paid from 1978 Capital Surplus on Hand.



CHARLES A. CADIEUX, C.M., K.G.C.H.S., *Retired Retail Executive*
 G. RICHARD CHATER, *President, the Company*
 BRIG.-GEN. W. PRESTON GILBRIDE, C.B.E., D.S.O., E.D., LL.D.
Chairman, the Company
 WILLIAM A. HEASLIP, *Executive Vice President, the Company*
 WILLIAM F. JAMES, PH.D., *Consulting Geologist*
 JAMES W. McCUTCHEON, Q.C., *Partner, Shibley, Righton & McCutcheon,*
Barristers and Solicitors
 STEWART PHILP, *Retired President of a Subsidiary*
 JOHN B. RIDLEY, C.M., *Retired Investment Dealer*
 SAM FOSTER ROSS, Q.C., *Partner, Ross & McBride,*
Barristers and Solicitors
 GEORGE A. REYNOLDS, C.A., *Vice President Finance, Secretary*
and Treasurer, the Company
 T. EDWARD TOPPING, *Executive Vice President, the Company*
 DAVID B. WELDON, *Chairman of the Board, Midland Doherty Limited,*
Investment Dealers
 DOUGLAS C. WOOLLEY, Q.C., *Partner, Woolley, Dale & Dingwall,*
Barristers and Solicitors
 THOMAS R. YOUNG, *President, Toby Industries Limited*

Year Elected

1974	Toronto, Ontario
1961	Campbellville, Ontario
1967	Toronto, Ontario
1961	Milton, Ontario
1967	Toronto, Ontario
1967	Toronto, Ontario
1967	Hamilton, Ontario
1967	Toronto, Ontario
1967	Dundas, Ontario
1972	Thornhill, Ontario
1968	Stouffville, Ontario
1967	Toronto, Ontario
1961	Toronto, Ontario
1969	Goodwood, Ontario

CORPORATE AFFILIATION OF DIRECTORS

Mr. Cadieux is a Director and retired Executive Vice President — F.W. Woolworth Co. Limited and a Director of several Canadian Companies.
 Mr. Chater is a Director of Canadian General Securities, Limited, Guaranty Trust Company of Canada, Traders Group Limited and its Insurance Subsidiaries.
 Mr. Gilbride is Chairman of Greywinds Investments Limited, and a Director of Gerling Global Insurance Group, Swiss Corporation for Canadian Investments Limited and S.B.C. Financial Limited.
 Mr. Heaslip is a Director of Canadian General Securities, Limited.
 Dr. James is a Director of Campbell Red Lake Mines Limited, Dome Mines Limited, Falconbridge Dominicana C. por A., Falconbridge Nickel Mines Limited, Giant Yellowknife Mines Limited, Lolor Mines Limited, Templeton Growth Fund of Canada Limited, Zapata-Granby Corporation, Templeton World Fund Inc., and Director Emeritus of the Canadian Imperial Bank of Commerce.
 Mr. McCutcheon is a Director of Biltmore Industries Limited, Canadian General Securities, Limited, Guaranty Trust Company of Canada, Kerr Addison Mines Limited, Traders Group Limited and Canadian General Insurance Group.
 Mr. Philp is a Director of Equitrust Mortgage and Savings Company.
 Mr. Ridley is a retired Executive Vice President and Managing Director of A.E. Ames & Co. Limited.
 Mr. Reynolds is Secretary of Canadian General Securities, Limited.
 Mr. Ross is President and Director of Equitrust Mortgage and Savings.
 Mr. Topping is a Director of the Retail Council of Canada.
 Mr. Weldon is Vice President and Director of Goderich Elevators Limited and a Director of Biltmore Industries Limited, Commonwealth Holiday Inns of Canada Limited, Emco Limited, Guaranty Trust Company of Canada and Silverwood Industries Limited.

Audit Committee

John B. Ridley	Chairman
James W. McCutcheon	
David B. Weldon	
G. Richard Chater	
George A. Reynolds	

Executive Committee

W. Preston Gilbride	Chairman
G. Richard Chater	
William A. Heaslip	
George A. Reynolds	
James W. McCutcheon	
David B. Weldon	
Stewart Philp	
John B. Ridley	

Compensation Committee

John B. Ridley	Chairman
James W. McCutcheon	
G. Richard Chater	

Investment Committee

John B. Ridley	Chairman
David B. Weldon	
G. Richard Chater	

GRAFTON GROUP LIMITED

W.P. Gilbride, *Chairman*
G.R. Chater, *President*
W.A. Heaslip, *Executive Vice President*
T.E. Topping, *Executive Vice President*
G.A. Reynolds, C.A., *Vice President, Finance, Secretary and Treasurer*

GRAFTON-FRASER INC.

G.R. Chater, *Chairman and Chief Executive Officer*
A.L. Lucas, *President*
J.B. Coutts, *Senior Vice President*
E.C. Frederick, *Senior Vice President*
G.A. Reynolds, C.A., *Senior Vice President*
S.A. Lindsay, C.A., *Vice President and Treasurer*
W.J. Smith, *Vice President*
J.F. Walker, *Vice President*
B.A. Renihan, C.A., *Controller*
H. Sanders, *Public Relations Administrator*

MAHER INC.

T.P. Wilson, *President*
J.W. Reid, *President of a Division*
R.C. Wilson, *Senior Vice President*
J.R. Gillies, C.A., *Vice President and Treasurer*
D.F. Gerrish, C.A., *Controller*
G.R. Travelle, *Distribution Co-ordinator*

TOBY INDUSTRIES LIMITED

T.R. Yonge, *President*
K.A. Greeniaus, R.I.A., *Controller*

GRAFTON REALTY COMPANY, LIMITED

W.A. Heaslip, *President*
Mrs. J.A. Lawson, *Assistant Secretary*

TRANSFER AGENTS AND REGISTRARS

Grafton Group Limited
10½% Sinking Fund Debentures, Series A
The Royal Trust Company
Common Shares
Guaranty Trust Company of Canada
Maher Inc.
6¾% Sinking Fund Debentures, Series A
Canada Permanent Trust Company
Preference Shares
The Canada Trust Company

AUDITORS

Thorne Riddell & Co., Toronto

BANKERS

Canadian Imperial Bank of Commerce, Toronto
Bank of Nova Scotia, Toronto

STOCK EXCHANGE LISTINGS

Grafton Group Limited Common Shares
Toronto Stock Exchange
Montreal Stock Exchange
Maher Inc. Preference Shares
Toronto Stock Exchange

